

UNCLASSIFIED

Iraq

Status Report

August 26, 2009



Bureau of Near Eastern Affairs
U.S. Department of State

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HIGHLIGHTS

- **Abd al-Aziz al-Hakim, Chairman of the Islamic Supreme Council, Passes Away in Iran** (*POLITICAL*, page 4).
- **Iraq Announces Terms for Second Bid Round** (*ECONOMIC*, page 9).
- **Iraq and Syria Recall Ambassadors in the Wake of August 19 Bombings in Baghdad** (*DIPLOMATIC*, page 18).
- **Eleven Security Officers Detained in Ministry Bombings Aftermath** (*SECURITY*, page 21).

POLITICAL - Governance & Legislation



Abd al-Aziz al-Hakim passes away

Abd al-Aziz al-Hakim Passes Away:

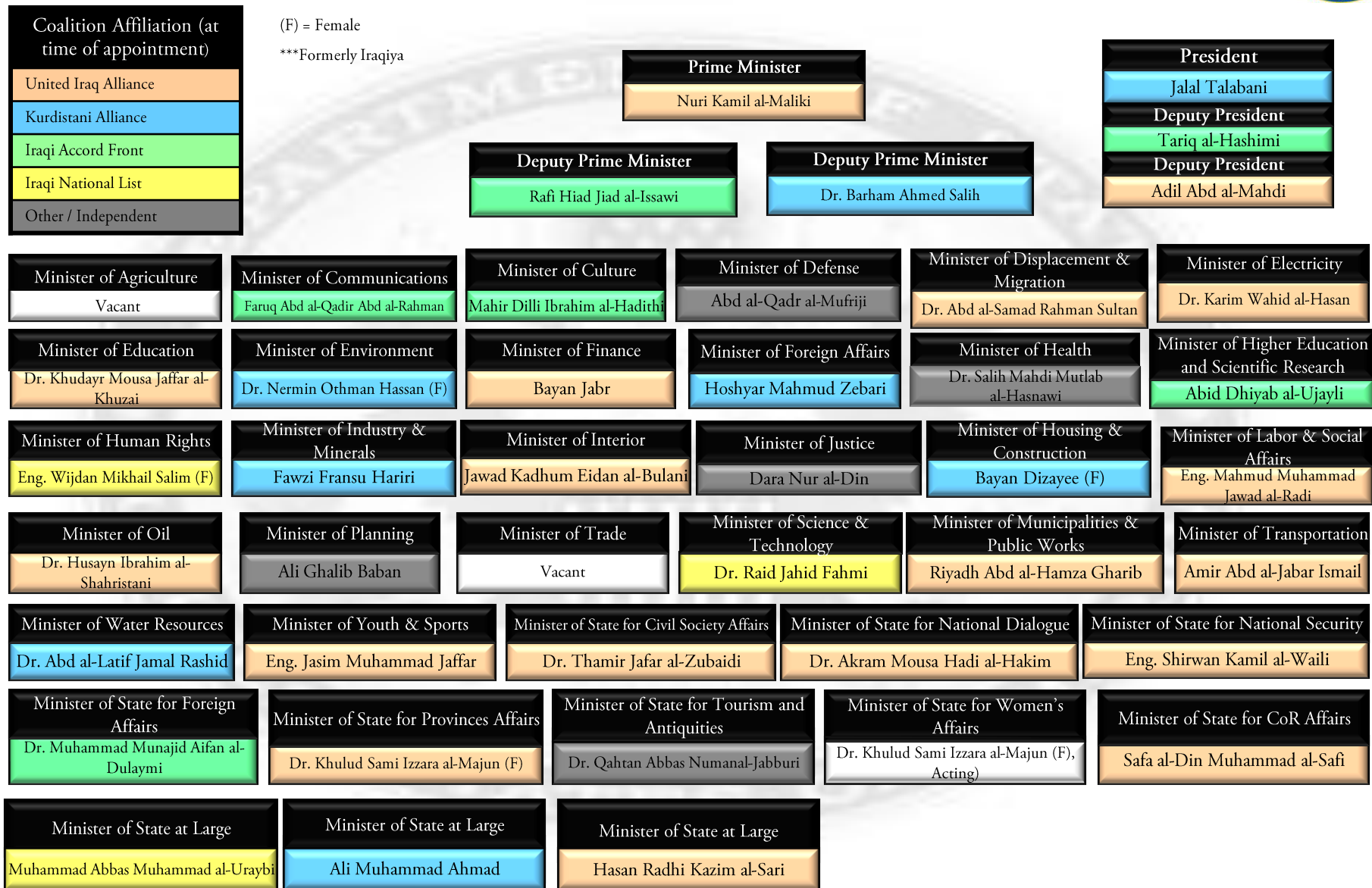
- Abd al-Aziz al-Hakim, chairman of the Islamic Supreme Council of Iraq and an important Shi'a political leader, died August 26. He had been undergoing treatment for cancer in Iran.

New Parliamentary Elections Coalition Formed:

- Iraq's main Shi'a parties, except Prime Minister Maliki's Da'wa Party, announced August 24 a coalition for the parliamentary elections scheduled for January. The new coalition, named the Iraqi National Alliance, includes the Islamic Supreme Council of Iraq, supporters of Muqtada al-Sadr, and independent candidates. It remains unclear whether Prime Minister Maliki will attempt to assemble a separate coalition for the upcoming elections.



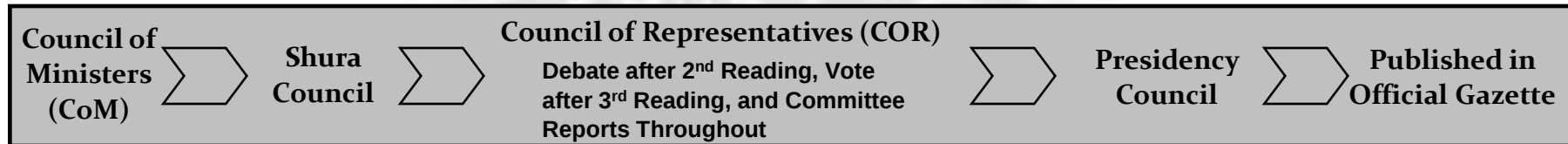
POLITICAL – Government of Iraq





POLITICAL – Key Legislative Issues

Legislative Process



- **Hydrocarbons Package:** The Framework Law was resubmitted to the Oil and Gas Committee on October 26, 2008 and then returned to the Council of Ministers. There has been no progress on the other three laws in the package.
- **NGO Law:** This law will regulate the operations and funding of Non-Governmental Organizations operating within Iraq. It received its first reading in the Council of Representatives on April 20, 2009.
- **National Elections Law:** A draft of a proposed national elections law is in committee but has not been finalized.

POLITICAL - Refugee Update



- Regional governments report hosting as many as 2 million Iraqi refugees.
- The International Organization for Migration (IOM) estimates that over 2.8 million Iraqis are displaced inside Iraq.
- In FY08, the State Department's Bureau of Population, Refugees and Migration contributed \$287.08 million to international organizations and nongovernmental organizations to assist displaced Iraqis inside the country and in the region.
- The U.S. admitted 13,823 Iraqi refugees in FY08 (which ended September 30).
- Since the program's inception in FY07, 32,087 Iraqi refugees have been admitted for U.S. resettlement; in FY09 alone, the U.S. seeks to admit a minimum of 17,000 Iraqi refugees.
- As of June 2009, a total of 770 Special Immigrant Visa (SIVs) have been issued for Iraqi translators and interpreters since FY08 (under the Section 1059 program).
- As of June 2009, a total of 2,081 SIVs have been issued for Iraqis employed by or on behalf of the U.S. government since FY08 (under the Section 1244 program).
- Secretary of State Hillary Clinton announced July 24 that the United States is contributing more than \$100 million in new assistance this year to support the return and reintegration of displaced Iraqis.

ECONOMIC – Oil



Oil prices are rising, but exports and production remain below 2009 targets

Crude Oil Update:

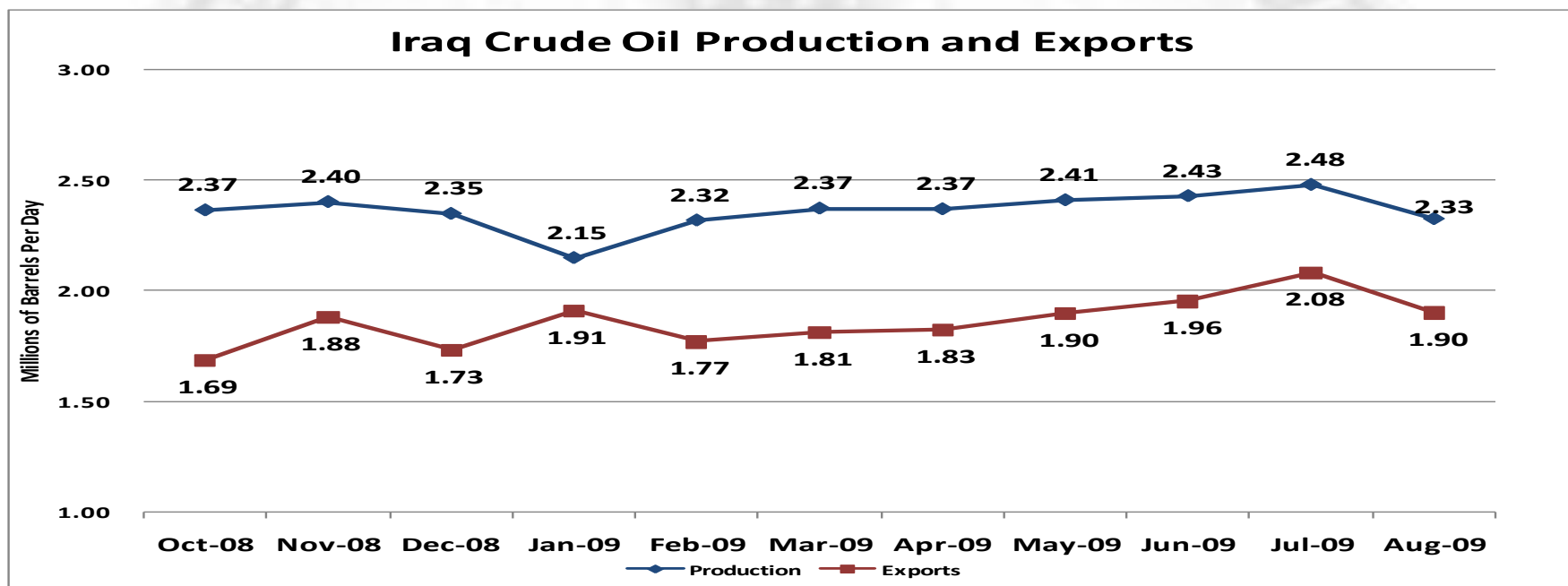
Price averages in world markets closed with the following prices:

Basrah Light at \$72.50/barrel

Dated Brent at \$72.41/barrel

WTI Cushing at \$70.84/barrel

Oman/Dubai at \$70.75/barrel



Revenue estimates:

2007: \$41.0 Billion

2008: \$61.9 Billion

2009 (ytd): \$19.40 Billion*

*New revenue formula is used for 2009 that is more accurate, if lower.

ECONOMIC – Oil



Iraq prepares for its second bid round with a road show in Istanbul while other oil and gas deals move forward

Iraq Announces Terms for Second Bid Round:

- At its road show in Istanbul, Iraq elucidated the terms for contracts in its second oil and gas bid round August 25. Ten groups of oil fields are being offered in this bid round, which is scheduled to be held at the end of December. In this round, the signature bonuses asked of the oil companies will be \$1.6 billion in total for the ten groups of fields, a reduction from the \$2.6 billion asked in the first bidding round. One additional change is that companies will be able to operate the fields, removing the stipulation from the first bid round that Iraqi officials would be involved in the field operations. Also, companies will be paid in oil rather than cash, though companies will not be able to keep any of the oil pumped from the fields as the contracts will be technical service contracts.

ECONOMIC – Oil



Iraq prepares for its second bid round with a road show in Istanbul while other oil and gas deals move forward

Sinopec May Be Blacklisted:

- Deputy Minister of Oil Abdul Karim Louaibi said August 24 the Ministry of Oil will blacklist China's Sinopec Corporation and bar it from the second oil and gas bid round if it goes through with its purchase of the Swiss oil exploration company Addax Petroleum Corporation. Addax is one of the foreign firms which signed an agreement with the KRG. "The Oil Ministry is committed to not dealing with any oil company that signs oil contracts (with the Kurdish Regional Government) without the approval of the central government and (the) Iraqi Oil Ministry. The reaction of the ministry will be clear, Sinopec will be blacklisted," Louaibi said, speaking in Istanbul at Iraq's road show for its second bid round. However, Chinese media reported August 26 that the Government of Iraq had approved of Sinopec's purchase of Addax, citing a senior Sinopec official who did not provide details.

ECONOMIC – Oil



Iraq prepares for its second bid round with a road show in Istanbul while other oil and gas deals move forward

Nippon Oil Close to Winning Nassiriya Deal-Iraq:

- Deputy Minister of Oil Abdul Karim Louaibi said August 24 that Japan's Nippon Oil Corporation was "very close" to winning a contract to develop the Nassiriya oil field, adding that the offer from Nippon was considered the best offer for the Iraqis. Nippon was competing for the field with the Italian company Eni, after the Spanish firm Repsol dropped out. Iraqi officials have said the last obstacle to be resolved in order to award the contract was Iraq's desire that income from the field not be deposited into the Development Fund for Iraq (DFI). "So far it's very obvious that the consortium led by Nippon Oil is very close to winning the contract to develop the Nassiriya oilfield," Louaibi said, "The main issue was how to finance the deal and it was resolved today."

Mitsubishi to Take Small Stake in Shell Natural Gas Venture

- Royal Dutch Shell announced August 25 Mitsubishi will take a 5% stake in Shell's joint venture with Iraq to capture flaring gas in southern Iraq. No financial terms of the agreement were released.

ECONOMIC – Oil



Iraq prepares for its second bid round with a road show in Istanbul while other oil and gas deals move forward

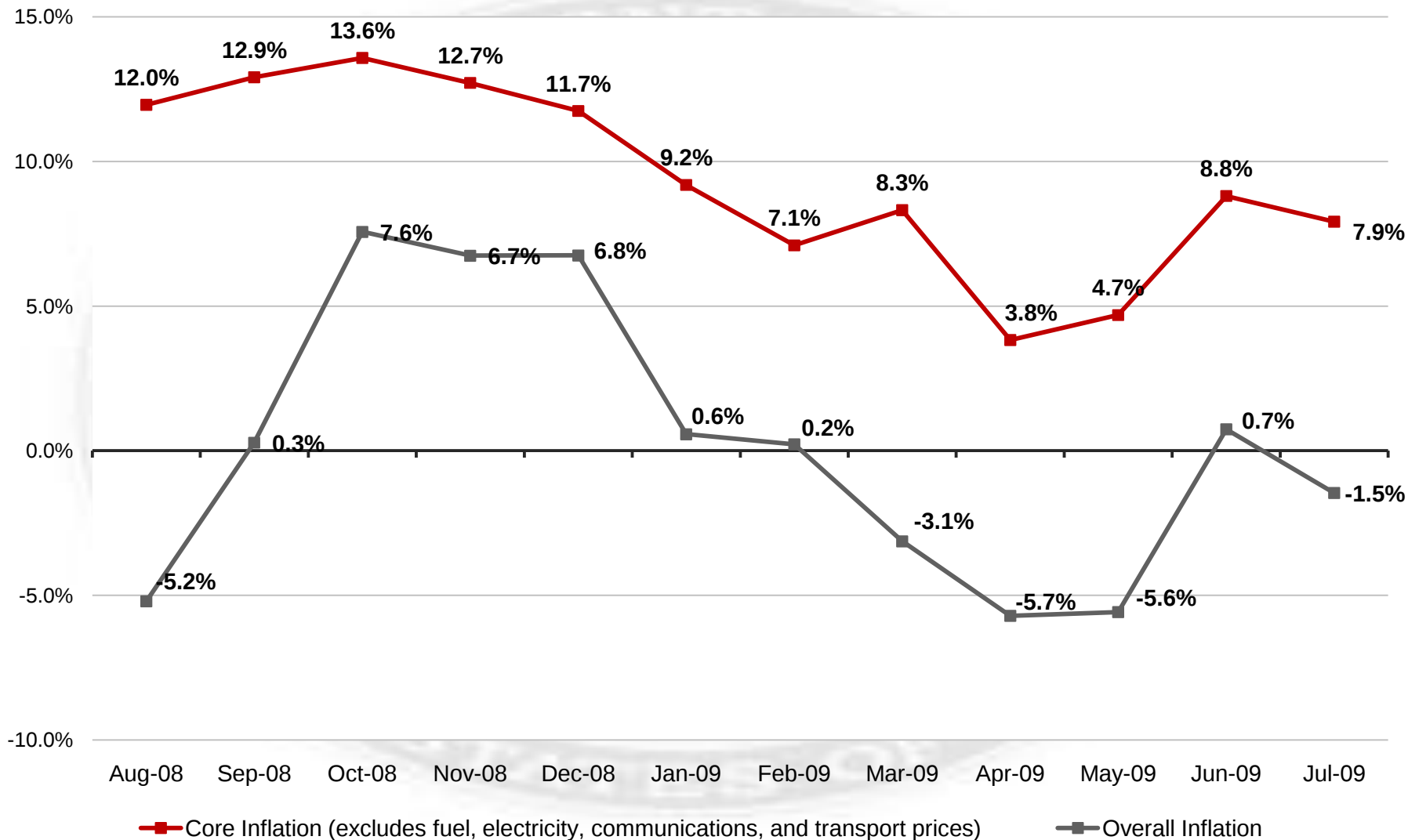
DNO Still Awaiting Payments for Tawke Exports:

- Norway's DNO International said it has not yet received payments for its exports from the Kurdish field Tawke, but remained hopeful that disputes between the KRG and the GOI over oil revenues would be resolved so that DNO could be paid soon. Chief Executive Helge Eide said DNO has not been involved directly in the talks over revenues, though the KRG has relayed to DNO that they expect a deal to be in place soon. No timeframe has been given for DNO's payment and in the meantime, revenues are recorded on a net entitlement basis through which estimated oil prices are applied. "When such payment procedures are in effect, DNO expects both increasing cash flow and strengthening of its financial position. In the meantime, DNO will maintain high focus on capital discipline," the company said.

ECONOMIC - Fiscal and Monetary Affairs



Year-on-Year Inflation



ECONOMIC – Fiscal and Monetary Affairs



Sound economic policies will help ensure Iraq maintains security and stability

Economic Indicator	This Week	Last Week	Last Month	Last Year
Iraqi Commercial Bond Sales				
Price (USD)	\$69.06	\$68.93	\$65.27	\$66.08
Yield	9.35%	9.37%	9.94%	10.96%

ECONOMIC – Private Sector



Agility considers selling its stake in Iraq's Korek Telecom

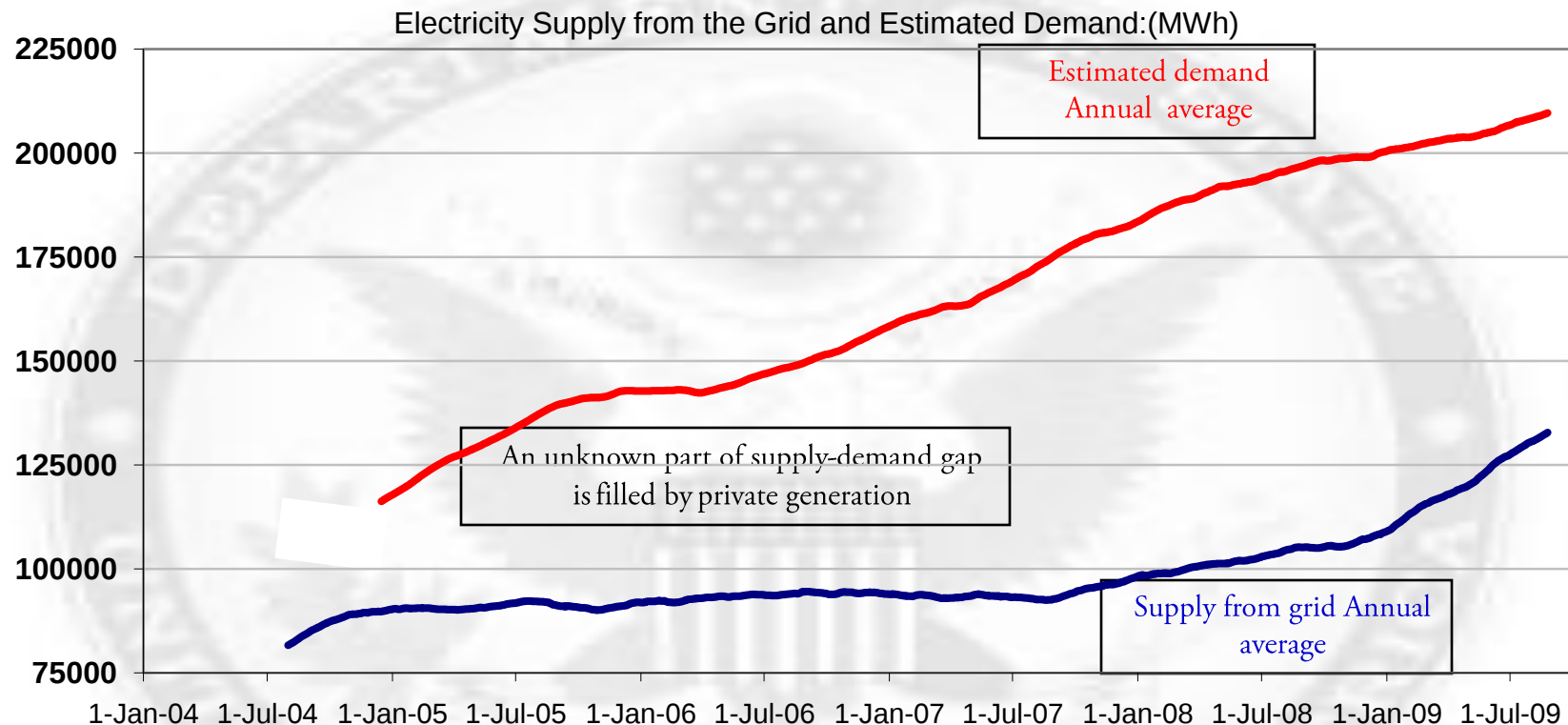
Agility May Sell Stake in Iraqi Telecom Company Korek:

- The Kuwait-based logistics company Agility is considering selling its minority stake in Iraq's Korek Telecom and talks on the topic are nearing completion, according to a source close to the company's board of directors. Korek holds a national license in Iraq, but its coverage is limited mainly to northern Iraq. Korek was previously in talks with Orascom Telecom to form a partnership but negotiations broke down. In a statement released to the Dubai stock exchange, Agility said, "The company will always look to exit its investments if that was to the benefit of its shareholders and stakeholders." Agility holds a \$250 million stake in Korek.

Public Services – Electricity



GOI needs to strengthen policy actions to manage demand and usage patterns



- Electricity supply from the grid August 19-25 was 38% above 2008 and met 59% of estimated demand, compared with 49% for the year earlier period.
- Electricity supply has increased nearly 50% since August 2006. To fuel the increase, natural gas consumption has grown by nearly 50% and fuel oil and diesel consumption has more than doubled. In contrast, crude has fluctuated without trend, and hydro power has fallen by half.

Beyond Baghdad



Desks for "Kids House," a school for IDP children

"...we will help Iraq's institutions strengthen their capacity to protect the rule of law, confront corruption, and deliver basic services."

President Barack Obama

Recent Highlights

Erbil

The 'Kids House', a school and community center for internally displaced children in Erbil, purchased much needed equipment and supplies with the help of a Quick Response Fund grant. The School does not receive the same level of government aid as residential schools, so the quality of educational services is far lower than other schools in the region. The School educates children of all religious backgrounds who have fled violence in Baghdad and Mosul.

Diwaniyah

The village of al-Zahour has received three 20,000 liter water tanks from the PRT. Al-Zahour was targeted by militants in 2004 and has been without essential services for nearly five years. The Provincial Council Chairwoman for Human Rights visited al-Zahour and pushed the municipalities' department head to schedule trash pickups and water delivery. Doctors were also present to provide pediatric inoculations. Plans are underway to rebuild al-Zahour's only school, staff a medical clinic, and restore electricity.

Anbar

Several Anbari clerics gathered at Camp Ramadi to review post-June 30 developments in the province at an MNF-West hosted meeting. Anbar Governor Qasim was also in attendance. MNF-West updated the gathering on past and present reconstruction projects, with the message that movements by U.S. military vehicles are in support of those projects. The PRT Team Leader reinforced that message, stating that the PRT is honoring the governor's wish to reduce the presence of U.S. military vehicles in the center of Ramadi.

DIPLOMATIC – Political Engagement



Iraqi-Syrian relations strained over recent bombings in Baghdad

Iraq and Syria Recall Ambassadors in the Wake of Bombings:

- Iraq and Syria recalled their ambassadors August 25 after Iraqi authorities called on Syria to hand over two individuals linked to the Ba'ath party who they suspect organized the August 19 bombings of the Iraq Ministries of Finance and Foreign Affairs, killing approximately 100 people. Syria recalled its ambassador following the Iraqi cabinet's decision to summon the Iraqi Ambassador to Syria back to Baghdad in protest of Syria's refusal to hand-over the two suspects. According to Syria's official news agency, SANA, an unnamed Syrian official rebuffed Iraqi government criticism of Syria over the attacks, stating "Syria informed the Iraqi side of its readiness to receive an Iraqi delegation and discuss with it available evidence on the perpetrators of the bombings. Otherwise, it would consider what is broadcast on Iraqi media as evidence fabricated for domestic political goals."

DIPLOMATIC – Political Engagement



Iraqi-Syrian relations strained over recent bombings in Baghdad

Syria Announces Trilateral Water Conference with Iraq and Turkey:

- Syrian Irrigation Minister, Nader Bunni, announced August 20 that the Syrian, Iraqi and Turkish ministers and specialists responsible for water resources will meet in Ankara September 3 to discuss the drought afflicting the region. Minister Bunni made the announcement during recent talks with Iraqi Water Minister Abd al-Latif Rashid and Turkish Energy Minister Taner Yildiz in Damascus. In July, the Government of Iraq called for an urgent meeting with Syria and Turkey due to the dramatic decrease in the flow of the Tigris River, which flowed at half of its normal level. The whole region has experienced a critical drought for the past two years due to a sharp decline in winter rains.



SECURITY – Situation Update

Government of Iraq works to mitigate damages caused by ministry bombings

Government of Iraq Suspends Blast Wall Removal in Baghdad:

- Iraqi officials have suspended the removal of concrete blast walls across Baghdad, August 25. The decision comes less than a week after attacks targeting the Ministries of Finance and Foreign Affairs killed 100 people. Earlier this month, officials announced most of the blast walls would come down within 40 days. Tahseen al-Sheikhli, a civilian spokesman for security operations in Baghdad reported the walls will be lifted from some streets, left as is or expanded in other areas. “After Wednesday's events, the battle took a different direction. A review has been made of removing walls in many areas ... Leaders in the field will decide,” Sheikhli said.

Confession of Ministry Bombings Aired on Iraq Television:

- Iraqi authorities aired the confession of Wissam Ali Kadhim Ibrahim on national television, August 23. Ibrahim, a Ba’athist and former city-level police chief, is suspected by the Government of Iraq (GOI) in organizing the two bomb attacks that occurred last week and resulted in 100 deaths and damage to two Iraqi ministry buildings. In the videotaped confession, Ibrahim states that he received orders from Sattam Farhan, a Ba’ath Party leader living in Syria, with the goal of the operation being “to destabilize the regime.” He added that \$10,000 was paid in bribes to facilitate the passage of the vehicles through Iraqi Security Forces (ISF) checkpoints.

SECURITY – Situation Update



Government of Iraq works to mitigate damages caused by ministry bombings

Eleven Security Officers Detained in Ministry Bombings Aftermath:

- Iraqi authorities detained 11 senior security officers in the aftermath of the explosions that took place in Baghdad August 19. Iraqi Army spokesman for Baghdad operations, General Qassim Atta told al-Iraqiya television the officers were arrested and are being questioned over security failings that led to the bombings. According to the report, most of the officers being held were in charge of the two areas where the bombings occurred. Prime Minister Nuri al-Maliki ordered a security review in response to the blasts that occurred near the Ministries of Finance and Foreign Affairs and resulted in almost 100 people killed and over 500 injured.

SECURITY – Situation Transition



Iraqi Army increases capabilities by adding a second Special Forces brigade

Iraq Special Operations Forces 2nd Brigade Activated:

- Iraq's cabinet has approved a draft law allowing a referendum on the U.S.-Iraq Security Agreement. The legislation must go through Iraq's Council of Representative (COR) now in recess until September, before it is signed into law. The referendum, which if signed into law will likely be held in January 2010 along with the national elections, will give Iraqis the opportunity to approve or disapprove of the previously signed U.S.-Iraq Security Agreement.



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This brief draws from multiple sources. References are cited on the following pages.

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Please forward all questions and/or comments to:

NEA-I-IPOG-DL@state.gov



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